DIKGATLONG MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2010

DIKGATLONG MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
For The Year Ended 30 June 2010

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 30, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors,loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 13 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Mr. H.M .ROBERTSON
Acting Municipal Manager

Date: 23 September 2010

DIKGATLONG MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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DIKGATLONG MUNICIPALITY
GENERAL INFORMATION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

MEMBERS OF THE COUNCIL:

Gopane D.R.	*Female*	Mayor
Khoboko T.I.	*Male*	
Jammer P.N.	*Male*	
Swarts M.F.	*Male*	
Mweninjawa J.	*Male*	
Molete N.G.	*Female*	
Louw M.R	*Female*	
Bosman S.I.	*Female*	
Olifant V.	*Male*	
Matlhaba K.J.	*Male*	
Jacobs M.N	*Male*	
Madiata Uhumbua L.A.	*Female*	
Papers D.P.	*Female*	

ACTING ACCOUNTING OFFICER:

H.M. ROBERTSON *Male*

ACTING CHIEF FINANCIAL OFFICER:

P. WAKELIN *Male*

GRADING OF LOCAL AUTHORITY:

Grade ***2*** Category ***B***

AUDITOR:

The Auditor-General: Northern Cape

BANKERS:

First National Bank Ltd - Barkly West Branch

REGISTERED OFFICE:

Dikgatlong Municipality
Campbell Street
Barkly West
8375

The annual financial statements set out on pages 1 to 30 were approved by the Acting Municipal Manager on 23 September 2010.

23 September 2010

ACTING MUNICIPAL MANAGER **Date**

23 September 2010

ACTING CHIEF FINANCIAL OFFICER **Date**

DIKGATLONG MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

	Note	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net assets		**(28 536 754)**	**(19 285 324)**
Statutory funds		-	7 907 614
Accumulated Surplus/(Deficit)		(28 536 754)	(27 192 938)
Non-current liabilities		**2 544 689**	**3 300 611**
Long-term liabilities	1	2 544 689	3 300 611
Current liabilities		**64 625 764**	**49 256 210**
Consumer deposits	3	242 381	242 270
Provisions	2	1 101 821	762 174
Trade and other payables	4	50 954 351	39 372 955
Cash and cash equivalents	10	7 486 564	4 456 681
Unspent conditional grants and receipts	5	4 040 688	3 499 644
Current portion of long-term liabilities	1	799 958	922 486
Total Net Assets and Liabilities		***38 633 699***	***33 271 497***
ASSETS			
Non-current assets		**18 747 898**	**7 205 845**
Property, plant and equipment	6	17 565 865	6 023 811
Investments	7	1 182 033	1 182 034
Current assets		**19 885 801**	**26 065 652**
Trade receivables from non-exchange transactions	8	17 477 540	23 879 774
Other receivables from non-exchange transactions	9	222 383	-
Cash and cash equivalents	10	-	-
Short term investments	7	2 185 878	2 185 878
Total Assets		***38 633 699***	***33 271 497***

DIKGATLONG MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
For The Year Ended 30 June 2010

	Note	2010 R	2009 R
REVENUE			
Property rates	11	7 423 960	4 303 205
Service charges	12	30 654 338	17 388 080
Rental of facilities and equipment		246 701	-
Interest earned - external investments		2 531	258 771
Interest earned - outstanding debtors		5 845 697	2 408 655
Fines,licenses and permits		101 465	215 195
Government grants and subsidies	24	31 773 928	21 193 641
Housing Income		-	360 802
Other income		92 859	229 133
Total Revenue		**76 141 478**	**46 357 482**
EXPENDITURE			
Employee related costs	13	19 064 267	15 103 748
Remuneration of Councillors	14	2 892 900	2 376 222
Bad debts	8	28 140 899	-
Repairs and maintenance		1 467 191	2 978 066
Interest paid	15	172 747	218 420
Bulk purchases	16	20 191 762	12 732 290
Contracted services		1 765 370	-
General expenses	26	3 561 075	14 772 737
Grants paid		229 083	-
Total Expenditure		**77 485 294**	**48 181 483**
SURPLUS/(DEFICIT) FOR THE YEAR		**(1 343 816)**	**(1 824 001)**

Refer to Appendix E(1) for the comparison with the approved budget

DIKGATLONG MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
For The Year Ended 30 June 2010

	Accumulated Surplus/ (Deficit)	Total
	R	R
2009		
Balance at 1 July 2008	(26 838 096)	(26 838 096)
Prior year adjustments	814 586	814 586
Accumulated deficit for the year	(1 089 721)	(1 089 721)
Leave Provision refer note 2.	(79 707)	(79 707)
Restated balance	**(27 192 938)**	**(27 192 938)**
Balance at 30 June 2009	**(27 192 938)**	**(27 192 938)**
2010		
Surplus/(deficit) for the year	(1 343 816)	(1 343 816)
Balance at 30 June 2010	**(28 536 754)**	**(28 536 754)**

DIKGATLONG MUNICIPALITY
CASH FLOW STATEMENT
For The Year Ended 30 June 2010

	Note	2010 R
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from rate payers, government and other		70 035 591
Cash paid to suppliers and employees		(56 426 964)
Cash generated from/ (utilised in) operations	18	**13 608 626**
Interest received		2 531
Interest paid		(172 747)
NET CASH FROM OPERATING ACTIVITIES		**13 438 410**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(11 542 054)
Movement in unutilised conditional grants		541 044
Grants utilised for acquisition of assets		(229 083)
Increase or decrease in investments		-
NET CASH FROM INVESTING ACTIVITIES		**(11 230 093)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Other movements		
Increase in consumer deposits		111
Other financing movements		(5 238 312)
NET CASH FROM FINANCING ACTIVITIES		**(5 238 201)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3 029 883)**
Cash and cash equivalents at the beginning of the year	19	(4 456 681)
Cash and cash equivalents at the end of the year	19	(7 486 564)

DIKGATLONG MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the Year Ended 30 June 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and amounts are rounded off to the nearest Rand.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 RESERVES

1.5.1 CAPITAL REPLACEMENT RESERVE

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the unappropriated surplus to the CRR in terms of a council resolution. There was no council resolution to effect such a transfer during the year.

1.5.2 CAPITALIZATION RESERVE

On the implementation of GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve in terms of a directive (circular No.18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

1.5.3 GOVERNMENT GRANT RESERVE

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transferred is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of Government Grants funded items of property, plant and equipment offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment are financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/defict.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Major items of property, plant and equipment which includes infrastructure assets and properties have not been measured. Such measurement and valuation of infrastructure assets shall be undertaken during the current year and this is after taking advantage of the provisions on transitional arrangments as covered in Directive 4 issued by the ASB.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revalutaion less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revalutation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Years	***Other***	Years
Roads,Pavements and Storm			
Water	30	Buildings	30
Reservoirs-Water	30	Specialist vehicles	10
Water Meters	20	Other vehicles	5
Water mains	15-100	Office equipment	3 to 7
Electricity mains	40-85	Furniture and fittings	7 to 10
Sewerage purification and			
reticulation	20	Watercraft	15
		Bins and containers	5
		Specialised plant and equipment	10 to 15
Community		Other items of plant and equipment	2 to 5
Buildings	30	Landfill sites	15
Recreational Facilities	20-30	Work in progress	No depreciation
Security	5	Land	No depreciation
Halls	30	Computer equipments	3
Libraries	30		
Parks and gardens	20 to 30		
Other assets	3 to 20		
Heritage Assets			
Buildings	No depreciation		
Paintings and artifacts	No depreciation		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitlised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amoritisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	33.30%

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in acounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

6 INVENTORIES

6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

7 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

11 CONTINGENT LIABILITIES AND ASSETS

The municipality does not recognise a contingent liability or contingent asset in its Statement of Financial Position and these are disclosed by way of a note. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

12 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

13 REVENUE

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

15 EMPLOYEE BENEFITS

15.1 RETIREMENT BENEFITS

The municipality provides for its employees and councillors. The contributions to the fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are acturially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific acturial information in respect of individual participating municipalities is unavailable due to centralised administartion of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

15.2 SHORT TERM AND LONG TERM EMPLOYEE BENEFITS

The costs of all short-term employee befits such as leave pay, are recognised during the period in which the employee renders the related service. The municiplaity recognises the expected cost of performance bonuses only when the municipality has a present leagal or constructive obligation to make such payment and a reliable estimate can be made.

The municipality provides long-term incentives to eligible employees payable on completion of years of employeement. The municiplaity's liability is based on an acturial valuation. The projected unit credit method has been used to value liabilities. Acturial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

DIKGATLONG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2010

		2010 R	2009 R
1.	**LONG-TERM LIABILITIES**		
	Long-term loans	3 344 647	4 223 097
	Less : Current portion transferred to current liabilities	(799 958)	(922 486)
	Total External Loans	**2 544 689**	**3 300 611**
	Refer to Appendix A for more detail on long-term liabilities		
2	**PROVISIONS**		
	Leave Provision	**1 101 821**	**682 467**
	Leave provision has been restated to R762174 from R 682,467 resulting in an adjustment of R79,707. The above provision total includes advances to employees on their salaries.		
3	**CONSUMER DEPOSITS**		
	Electricity	142 231	142 231
	Water	127 918	100 039
	Town Hall	(27 768)	-
	Total Consumer Deposits	**242 381**	**242 270**
4	**Trade and other payables**		
	Trade Creditors	10 047 880	3 579 182
	DWAF/Sedibeng	38 674 969	28 320 495
	Eskom	-	1 823 470
	Debtors with credit balances	-	391 402
	Creditors with debit balances	(1 119 878)	-
	Unknown Deposits	-	993 204
	VAT Input	1 767 468	3 486 143
	Other Creditors- unallocated receipts	1 233 924	779 059
	DBSA	1 136 524	-
	Retention creditors	13 422	-
	Short term portion of DBSA loan	(799 958)	-
	Total Creditors	**50 954 351**	**39 372 955**
5	**UNSPENT CONDITIONAL GRANTS AND RECEIPTS**		
	Rooikoppie Community Hall	-	81 837
	EPWP	(978 793)	(194 691)
	Municipal Infrastrustrure Grants	5 041 481	3 182 653
	Library	-	429 845
	Municipal Instituional Systems Grant	(22 000)	-
	Total Conditional Grants and Receipts	**4 040 688**	**3 499 644**
	See Note 24 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.		

DIKGATLONG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
PROPERTY PLANT AND EQUIPMENT

Note 6

30 June 2010

Reconciliation of Carrying Value	**Land**	**Infrastructure**	**Community**	**Other**	**Total**
	R	**R**	**R**	**R**	**R**
Carrying values at 1 July 2009	**-**	**6 023 811**	**-**	**-**	**6 023 811**
Cost		*155 236 279*			*155 236 279*
Accumulated depreciation		*(149 212 468)*			*(149 212 468)*
Acquisitions		*11 542 054*			*11 542 054*
Depreciation					
Disposals					
- *At cost*					*166 778 333*
- *Accumulated depreciation*					*(149 212 468)*
Carrying values at 30 June 2010	-	*17 565 865*	-	-	*17 565 865*
Cost	-	*166 778 333*	-	-	*166 778 333*
Accumulated depreciation	-	*(149 212 468)*	-	-	*(149 212 468)*

30 June 2009

Reconciliation of Carrying Value	**Land**	**Infrastructure**	**Community**	**Other**	**Total**
	R	R	R	R	R
Carrying values at 30 June 2009	**-**	**6 023 811**	**-**	**-**	**6 023 811**
Cost	-	*155 236 279*	-	-	*155 236 279*
Accumulated depreciation	-	*(149 212 468)*	-	-	*(149 212 468)*

Note: Infrastructure assets and other items of Property, Plant and Equipment. A programme is in place to unbundle all the items of Property, Plant and Equipment within the period 1 October 2009 and 31 March 2011. This will include the valuation and measurement of all items of property, plant and equipment excluding movable assets which were physically verified during the year.

		2010 R	2009 R
7.1	**INVESTMENTS - LONG TERM**		
	Held to maturity		
	Shares- SWTLK	14 822	14 822
	Long term deposits- Momentum	1 167 212	1 167 212
		1 182 034	**1 182 034**
7.2	**INVESTMENTS - SHORT TERM**		
	Held to maturity		
	First National Bank - Acc No 74087371453	1 243 455	1 243 455
	First National Bank - Acc No 62046158433	82 405	82 405
	First National Bank - Acc No 74029331259	6 004	6 004
	First National Bank - Acc No 62005171533	23 168	23 168
	First National Bank - Acc No 71045321107	2 631	2 631
	First National Bank - Acc No 74044313240	810 542	810 542
	Standard Bank - Acc No 146018273	17 673	17 673
		2 185 878	**2 185 878**

No investments have been written off during the year.

The long term investment-Momentum is a guaranteed endowment policy, with Momentum Life, with the intention of establishing a sinking fund.
The fair values of the above held to maturity investments could not be obtained.

		2010 R	2009 R

8 TRADE RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Bad Debts	Net Balances
30 June 2010			
Service debtors			
Rates	6 580 884	(3 169 608)	3 411 275
Refuse	8 384 078	(5 828 074)	2 556 004
Electricity	10 271 359	(3 070 631)	7 200 727
Water	17 216 326	(12 930 274)	4 286 051
Sewerage	2 531 308	(1 583 004)	948 304
Region other	8 257 988	(1 275 196)	6 958 118
Amounts received in advance		(7 907 614)	(7 907 614)
Total	**53 241 942**	**(35 764 402)**	**17 477 540**
30 June 2009			
Service debtors			
Debtors	51 315 879	(27 856 788)	23 459 091
Region other	29 281	-	29 281
Amounts received in advance	391 402	-	391 402
Total	**51 736 562**	**(27 856 788)**	**23 879 774**

Rates: Ageing

Current (0 – 30 days)		
31 - 60 Days		
61 - 90 Days		
91 - 120 Days		
121 - 365 Days		
+ 365 Days		
Total	**-**	**-**

(Electricity, Water and Sewerage): Ageing

Current (0 – 30 days)		
31 - 60 Days		
61 - 90 Days		
91 - 120 Days		
121 - 365 Days		
+ 365 Days		
Total	**-**	**-**

Summary of Debtors by Customer Classification	**Consumers**	**Industrial/ Commercial**	**National and Provincial Government**	**Total**
30 June 2010	**R**	**R**	**R**	**R**
Current (0 – 30 days)	1 211 581	5 713 682	539 353	7 464 616
31 - 60 Days	1 011 064	3 152 461	508 808	4 672 333
61 - 90 Days	937 911	938 685	424 625	2 301 221
91 - 120 Days	25 728 908	38 165 793	4 327 858	68 222 560
121 - 365 Days	6 982 633			6 982 633
+ 365 Days				-
Plus: Amounts received in advance	(233 299)	(283 649)	(120 071)	(637 018)
Sub-total	35 638 798	47 686 972	5 680 573	89 006 343
Less: Provision for bad debts				(35 764 402)
Total debtors by customer classification	**35 638 798**	**47 686 972**	**5 680 573**	**53 241 941**
30 June 2009				
Current	990 909	238 062	103 309	1 332 280
31 - 60 Days	1 444 040	223 322	19 538	1 686 900
61 - 90 Days	1 248 006	190 648	17 456	1 456 110
91 - 120 Days	71 672 702	2 777 956	195 013	74 645 671
121 - 365 Days				0
+ 365 Days				0
Plus: Amounts received in advance	472 389	0	0	472 389
Sub-total	75 828 046	3 429 988	335 316	79 593 350
Less: Provision for bad debts				(27 856 788)
Total debtors by customer classification	**75 828 046**	**3 429 988**	**335 316**	**51 736 562**

		2010 R	2009 R
	Reconciliation of the bad debt provision		
	Balance at beginning of the year	27 856 788	22 750 589
	Contributions to provision	7 907 614	5 106 199
	Bad debts written off against provision	(28 140 899)	
	Balance at end of year	**7 623 503**	**27 856 788**
9	**OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTIONS**		
	Dog tax	96	
	Plots sold	81 860	
	House rent	140 427	
	Total Other Debtors	**222 383**	**-**
10	**BANK, CASH AND OVERDRAFT BALANCES**		
	The Municipality has the following bank accounts: -		
	Current Account (Primary Bank Account)		
	First National Bank- Barkly West Account number:62022642468		
	Cash book balance at beginning of year	(4 456 681)	-
	Cash book balance at end of year	(4 456 681)	(4 456 681)
	Bank statement balance at beginning of year	-	
	Bank statement balance at end of year		(4 456 681)
	First National Bank Account Number:52090016612		
	Cash book balance at beginning of year	-	-
	Cash book balance at end of year	(3 029 883)	-
	Bank statement balance at beginning of year	-	
	Bank statement balance at end of year		-
	Bank balance/ (Bank Overdraft)	**(7 486 564)**	**(4 456 681)**
	Cash and Cash Equivalents	**(7 486 564)**	**(4 456 681)**

Unrecorded unsubstantiated expenditure has resulted in an increase in the bank overdraft from R4,456,681 to R7,486,564, refer to note 30. The municipality has opened a new account which has a balance at year end of R3,029,883 in addition to the previous year's balance of R4,456,681 which was not reconcilled during the year.

11	**PROPERTY RATES**		
	Actual		
	Residential	7 435 043	4 303 205
	Assessment rates- other	(11 083)	-
	Total Assessment Rates	**7 423 960**	**4 303 205**

Total Property Valuation - Rands
Information on the Valuation Roll and also the rate in the Rand charged for rates is available on request.

12	**SERVICE CHARGES**		
	Sale of electricity	15 939 797	6 190 955
	Sale of water	8 390 092	5 531 721
	Refuse removal	4 496 367	3 730 074
	Sewerage and sanitation charges	1 828 082	1 935 330
	Total Service Charges	**30 654 338**	**17 388 080**

		2010 R	2009 R
13	**EMPLOYEE RELATED COSTS**		
	Employee related costs - Salaries and Wages	11 124 371	9 660 263
	Employee related costs - Contributions for UIF	4 296	-
	Travel, motor car, accommodation, subsistence and other allowances	837 064	1 163 023
	Annual and performance bonuses	735 081	-
	Housing benefits and allowances	439 339	124 568
	Overtime payments	1 412 732	1 008 076
	Leave bonus, redemption and provision	1 401 976	204 108
	Bargaining Council levies	9 897	-
	Medical aid and pension	3 099 510	2 943 710
	Total Employee Related Costs	**19 064 267**	**15 103 748**

The amount of employee costs differs with R79707 which relates to the leave provision that was not restated from the audited financial statements.

Remuneration of the Municipal Manager		
Annual Remuneration	519 108	704 607
Contributions to UIF, Medical and Pension Funds	142 628	-
Industrial council	75	-
Leave encashment	26 996	-
Subsistance Allowances	7 700	-
Travelling Allowance	145 791	-
Total	**842 298**	**704 607**
Remuneration of the Chief Financial Officer		
Annual Remuneration	569 382	634 303
Contributions to UIF, Medical and Pension Funds	101 596	-
Industrial council	75	-
Leave encashment	303 209	-
Other allowances	1 727	-
Travelling Allowance	59 302	-
Total	**1 035 291**	**634 303**
Remuneration of the Technical Services Manager		
Annual Remuneration	418 023	634 303
Contributions to UIF, Medical and Pension Funds	95 441	-
Housing	72 000	-
Industrial council	75	-
Other Allowances	10 440	-
Travelling Allowance	137 302	-
Total	**733 281**	**634 303**

		2010 R	2009 R
14	**REMUNERATION OF COUNCILLORS**		
	Executive Mayor: Basic	366 781	323 885
	UIF, Pension and Medical	19 485	-
	Cellphone Allowance	7 440	-
	Day Allowance	1 100	-
	Travelling	122 629	-
	Councillors: Allowances	14 360	1 123 139
	Pension and Medical	230 481	239 778
	Cellphone Allowance	12 744	-
	Travelling	632 149	527 684
	Basic	1 483 903	-
	UIF	1 830	-
	Total Councillors' Remuneration	**2 892 900**	**2 214 486**
	In-kind Benefits		
	The Mayor is full-time. She is provided with an office and secretarial support at the cost of the Council.		
15	**INTEREST EARNED AND PAID**		
	Total Interest on External Borrowings		
	Interest earned	-	2 667 426
	Interest paid-DBSA	172 747	(761 257)
		172 747	**1 906 169**
16	**BULK PURCHASES**		
	Electricity	8 496 538	8 006 128
	Water	11 695 224	4 726 162
	Total Bulk Purchases	**20 191 762**	**12 732 290**
17	**CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GRAP**		
	The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
	Statutory Funds		
	Balance previously reported: -		
	Implementation of GAMAP		
	Transferred to provision of bad debts	7 907 614	-
	Total	**7 907 614**	**-**
	Loans Redeemed and Other Capital Receipts		
	Balance previously reported		
	Implementation of GRAP		
	Transferred to Accumulated depreciation: Infrastructure	149 212 468	
	Total	**149 212 468**	
	Property, plant and equipment		
	Balance previously reported		
	Implementation of GRAP		
	Transferred to infrastructure	155 236 279	
	Total	**155 236 279**	

		2010 R	2009 R
18	**CASH GENERATED BY OPERATIONS**		
	Surplus for the year	-1 343 816	
	Adjustment for:-	**(2 267 761)**	
	Bad debts written off	28 140 899	
	Contribution to bad debt provision	7 907 614	
	Interest paid	172 747	
	Grants and subsidies	(38 898 841)	
	Leave provision	409 820	
	Operating surplus before working capital changes:	**(3 611 577)**	
	Decrease in inventories	-	
	(Increase)/decrease in debtors	6 402 234	
	(Increase)/decrease in other debtors	(222 383)	
	Increase/ (Decrease) in creditors	11 581 396	
	Increase in unspent grants	(541 044)	
		17 220 203	
	Cash generated by/(utilised in) operations	**13 608 626**	
19	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
	Bank balances and cash	**(7 486 564)**	**(4 456 681)**
20	**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**		
	Contributions to Organized Local Government (SALGA)		
	Opening balance	-	-
	Council subscriptions	-	-
	Amount paid - current year	68 420	55 898
	Amount paid - previous years	-	-
	Balance unpaid (included in creditors)	**68 420**	**55 898**
	Audit fees		
	Opening balance	-	-
	Current year audit fee	-	-
	Amount paid - current year	806 000	615 017
	Amount paid - previous years	-	-
	Balance unpaid (included in creditors)	**806 000**	**615 017**
	VAT		
	Not all VAT returns have been submitted by the due date throughout the year.		
	PAYE and UIF		
	Opening balance	-	-
	Current year payroll deductions	-	-
	Amount paid - current year	-	-
	Amount paid - previous years	180 239	-
	Balance unpaid (included in creditors)	**180 239**	**-**
	The balance represents PAYE and UIF deducted from the June 2009 payroll. These amounts were paid during July 2009.		

		2010 R	2009 R
	Pension and Medical Aid Deductions		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	-	-
	Amount paid - current year	-	-
	Amount paid - previous years	-	-
	Balance unpaid (included in creditors)	**-**	**-**

The balance represents pension and medical aid contributions deducted from employees in the June 2009 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2009.

21 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Councillor's arrear consumer accounts

Madiata Uhumbua LA	92 832	67 810

There were amounts due from councillors to the municipality for services.

22 RETIREMENT BENEFIT INFORMATION

Personnel of the Council are members of the following pension funds

a Municipal Councillors Pension Fund
b Cape Joint Fund
c SALA Pension Fund
e SAMWU Provident Fund

The officials are members of SALA Pension Fund, Cape Joint Pension and Retirement Fund and SAMWU Provident Fund.
Councillors are members of the Municipal Councillors Pension Fund.
The actual valuation is not available.

23 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1).

24 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	26 697 212	-
Municipal Infrastructure Grant	5 093 697	-
Municipal Instituional Systems Grant	-	-
Municipal Finance Management Grant	(16 981)	-
Other Grants	-	-
Total Government Grants and Subsidies	**31 773 928**	**-**

24.1 EQUITABLE SHARE

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members
Not any funds have been delayed or withheld - -

24.2 MUNICIPAL INFRASTRUCTURE GRANT

Balance unspent at beginning of year	3 182 653	
Current year receipts	4 111 155	-
Conditions met-transferred to revenue	2 156 506	3 182 653
Conditions still to be met - remain in liabilities (See Note 4)	-	-
Not any funds have been delayed or withheld	**5 137 302**	**3 182 653**

		2010 R	2009 R
24.3	**ROOIKOPPIES COMMUNITY HALL DONATION**		
	Balance unspent at beginning of year	(81 836)	-
	Current year receipts	-	-
	Conditions met-transferred to revenue	103 836	(81 836)
	Conditions still to be met - remain in liabilities (See Note 4)	**22 000**	**(81 836)**
24.4	**EPWP SIDEWALKS**		
	Balance unspent at beginning of year	194 690	-
	Current year receipts		194 690
	Conditions met-transferred to revenue	784 102	-
	Conditions still to be met - remain in liabilities (See Note 4)	**978 793**	**194 690**
	FBDM ALLOCATION		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	-
	Conditions met-transferred to revenue	718 426	-
	Conditions still to be met - remain in liabilities (See Note 4)	**718 426**	**-**

		2010 R	2009 R

25 Commitments and capital projects

	Tender Amount	Certified Amount:30 June 2010	Commitments
Upgrading of Roads & Stormwater-Windsorton (MIG/NC0263/R,ST/08/09)Financed by MIG	17 888 765	4 749 372.00	17 888 765
Construction of Streets & Storm Water Prpteahof (MIG/NC0059/R,ST/05/06) Financed by MIG	5 845 207	2 718 694	3 065 650
Construction of Water Reticulation Network for 228 Sites- Barkly West (MIG/NC0272/W/08/10)Financed by MIG	1 267 663	1 255 670	1 267 663
Construction of 262:Stilwater Water Reticulation for 200 erven (MIG/NC0259/W/08/09	1 368 000	1 141 992	1 200 000

26 GENERAL EXPENSES

Advertising: General notices	24 228
Audit fees	4 800
Bank charges	-6 127
Cleaning material and consumables	50 752
Functions and events	1 995
Incentives and bonuses	71 669
Indigent subsidies paid	1 028 485
Insurance	188 281
Licenses	9 028
Mayoral fund	70 642
Motor vehicles: Fuel	13 418
Motor vehicles: Licenses	44 188
Municipal Services: Property rates	500
Office requirements: Inventory	8 099
Printing and stationery	125 579
Protective clothing	61 126
Purification works: chemicals	476 850
Refuse bags	23 600
Rental equipment	185 045
Rental: buildings	-710
Security services	518 036
Sports development	5 241
Subscriptions	121 829
Subsistence and travelling officials	29 564
Telecommunications: Telephone	91 499
Tender fees	-9 030
Training	5 979
Travel expenses: Accommodation	132 425
Council and other meetings	139 423
Town planning	144 661
Total	**3 561 075**

		2010 R	2009 R

27 RISK MANAGEMENT

27.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.
The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Momentum
Suid Wes Koop
First National Bank deposits
Financial guarantees
Trade and other receivables

These balances represent the maximum exposure to credit risk.
The municipality is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of (Pty) Ltd. Refer to note {N#} for additional details.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.
Cash flow forecasts are prepared and adequate utilized borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- Long term annuity
- Development Bank of South Africa loan
- First National Bank overdraft

28 UNAUTHORISED AND IRREGULAR EXPENDITURE

During the year employees have been advanced cash on their salaries and this amounts to irregular expenditure.
During the year leave days have been cashed out to employees and this amounts to irregular expenditure.
Interest charged by Sedibeng on outstanding accounts can be seen as Wasteful Expenditure.
Refer further to note 30.

29 SUPPLY CHAIN MANAGEMENT REGULATIONS

The Supply Chain Management Policy was approved on the 30 June 2010 became effetive thereon.

30 SUBSEQUENT EVENTS

After year end it was noted that the accounting system did not recognise an unsubstantiated amount of expenditure which will probably amount to irregular and fruitless expenditure. This refers specifically to either unrecorded or lost invoices. The unsubstantiated expenditure has not been reflected on the Statement of Financial Performance on page 3. Furthermore the effect of this is on the following item, cash and bank, accounts payables and the cashflow statement.

31 RELATED PARTIES

No declaration of interest by parties could be found. Therefore no transactions between the municipality and related parties could be identified to confirm if they were arm's length transactions.

DIKGATLONG MUNICIPALITY
APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Loan Number	Balance at 2009/06/30	Received during the period	Redeemed written off during the period	Interest Charged during the year	Balance at 2010/06/30
LONG-TERM LOANS		**R**	**R**	**R**		**R**
Upgrading of Electricity Network I	NC101563.1.2	405 065	0	263 415	3 297	144 947
Upgrading of Electricity Network I	NC102336.2	2 075 430	0	200 469	100 748	1 975 709
Upgrading of Vehicles (Fleet)	NC102336.1	1 742 602	0	587 313	68 702	1 223 991
Total long-term loans		**4 223 097**	**0**	**1 051 197**	**172 747**	**3 344 647**
LESS: Current portion of liabilities		-922 486				-799 958
Total DBSALoans		**3 300 611**	**0**	**0**		**2 544 689**
		-	-	-		-
TOTAL EXTERNAL LOANS		**3 300 611**				**2 544 689**

Terms of Agreements

1. Upgarding of Electricity Network No. 1	Loan amount is R1,032,377 and is payable in six monthly instalments. Debtors to the value R600,000 are ceded to the DBSA
2. Upgrading of Electricity Network No. 2	Loan amount is R2,100,000 and is payable in monthly instalments
3. Upgrading of Vehicle Fleet	Loan amount is R2,665,000 and is payable in monthly instalments
4. Interest Rate on Loans	Capital shall bear interest on the outstanding amount at a nominal fixed rate of 5% annually

DIKGATLONG MUNICIPALITY

APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 201(

	Cost/Revaluation					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
Land										
Land and Buildings										
Inftrastructure										
Infrastructure										
Libraries										
Community Facilities										
Cemetry										
Parks and Recreation Grounds										
Civic Buildings										
Community Assets										
Historical Buildings										
Painting & Art Galleries										
Heritage Assets										
Total carried forward										

APPENDIX B

DIKGATLONG MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
Total brought forward										
Other Assets										
Landfill sites										
Office Equipment										
Furniture & Fittings										
Bins and Containers										
Emergency Equipment										
Motor vehicles										
Machinery and Equipment										
Refuse tankers										
Computer Equipment										
Councillors Regalia										
Conservancy tankers										
Watercraft										
Holiday Resort										
Total										

REFER TO NOTE 6

ANNEXURE C

DIKGATLONG MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

30 June 2010

	Cost					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
Executive & Council	-				-	-	-		-	-
Finance & Admin	-	-			-	-	-		-	-
Planning & Development	-	-			-	-	-		-	-
Health	-	-			-	-	-		-	-
Community & Social Services	-	-	-	-	-	-	-		-	-
Housing	-	-			-	-	-		-	-
Public Safety	-	-			-	-	-		-	-
Sport & Recreation	-	-			-	-	-		-	-
Environmental Protection	-	-			-	-	-		-	-
Waste Management	-	-		-	-	-	-	-	-	-
Road Transport	-	-		-	-	-	-	-	-	-
Water	-	-			-	-	-	-	-	-
Electricity	-	-			-	-	-	-	-	-
Other	-	-			-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Annexure C was not prepared as this is part of the exemption in terms of government gazette 30013.

DIKGATLONG MUNICIPALITY

APPENDIX D: SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
Executive & Council	26 669 148	31 103 383	-4 434 235
Finance & Admin	13 509 715	5 751 724	7 757 990
Planning & Development	0	1 245 014	-1 245 014
Health	0	0	0
Social Development	0	0	0
Housing	205 456	465 370	-259 914
Public Safety	0	0	0
Sport & Recreation	0	0	0
Public Works	22 879	2 711 453	-2 688 574
Waste Management	6 171 941	4 910 718	1 261 223
Road & Stormwater	0	0	0
Sewerage	0	0	0
Water	8 390 092	14 716 238	-6 326 146
Electricity	15 939 872	9 546 569	6 393 303
Other	138 755	1 941 204	-1 802 450
Sub Total	**71 047 856**	**72 391 673**	**-1 343 817**
Total	**71 047 856**	**72 391 673**	**-1 343 817**

DIKGATLONG MUNICIPALITY
APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

DESCRIPTION	2 010 Actual (R)	2 010 Budget (R)	2 010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
					(Explanations to be recorded)
REVENUE					
Property rates	7 423 960	3 889 033	3 534 927	90.9%	
Service charges	30 654 413	25 550 932	5 103 481	20.0%	
Rental of facilities and equipment	246 701	206 520	40 181	19.5%	
Interest earned - external investments	2 531	120 000	-117 469	-97.9%	
Interest earned - outstanding debtors	5 845 697	1 560 000	4 285 697	274.7%	
Fines	101 465	239 789	-138 324	-57.7%	
Government grants and subsidies	26 680 231	28 714 686	-2 034 455	-7.1%	
Other income	92 859	15 867 000	-15 774 141	-99.4%	
Total Revenue	**71 047 857**	**76 147 960**	**-5 100 103**	**-6.7%**	
EXPENDITURE					
Executive & Council	31 103 383	17 394 260	-13 709 123	-78.8%	
Finance & Admin	5 751 724	7 738 288	1 986 564	25.7%	
Planning & Development	1 245 014	321 567	-923 447	-287.2%	
Health	0	0	0		
Social Development	0	0	0		
Housing	465 370	523 880	58 510	11.2%	
Public Safety	0	0	0		
Sport & Recreation	0	0	0		
Pubic Works	2 711 453	4 320 940	1 609 487	37.2%	
Waste Management	4 910 718	5 632 943	722 225	12.8%	
Road & Stormwater	0	0	0		
Sewerage	0	0	0		
Water	14 716 238	9 180 007	-5 536 231	-60.3%	
Electricity	9 546 569	11 694 186	2 147 617	18.4%	
Other	1 941 204	2 598 560	657 356	25.3%	
Inter-departmental charges			0		
Total Expenditure	**72 391 673**	**59 404 631**	**-12 987 042**	**-21.9%**	
NET SURPLUS/(DEFICIT) FOR THE YEAR	**-1 343 816**	**16 743 329**	**-18 087 145**	**-108.0%**	